

TO OUR DIRECT CUSTOMERS:

SUBJECT: PHILIP MORRIS U.S.A. PRICE INCREASE

EFFECTIVE WITH SHIPMENTS OF TUESDAY, MAY 11, 1993, WE ARE ADJUSTING OUR LIST PRICES AS FOLLOWS:

BRAND -----	INCREASE AMOUNT -----
BASIC	\$2.00 PER M
ALL OTHER PM USA BRANDS	NO CHANGE

EXISTING TERMS AND CONDITIONS WILL REMAIN UNCHANGED.

ALL ORDERS RECEIVED IN OUR RICHMOND, VIRGINIA, OFFICE AFTER 2:30 P.M. EASTERN DAYLIGHT SAVINGS TIME ON FRIDAY, MAY 7, 1993, AS WELL AS ORDERS ON HAND AT SUCH TIME, INCLUDING STANDING ORDERS AND THOSE ORDERS HELD BY US FOR FUTURE SHIPMENT, WILL BE BILLED AT THE NEW PRICES.

ALL ORDERS ARE SUBJECT TO ACCEPTANCE BY OUR RICHMOND OFFICE AND TO STANDARD TERMS AND CONDITIONS OF SALE, PRICES, STYLES AND SIZES IN EFFECT ON DATE OF SHIPMENT, EXCEPT AS MODIFIED BY THIS ANNOUNCEMENT.

#### DIRECT REBATE PAYMENT -----

AS SOON AS PRACTICABLE AFTER MAY 11, 1993, WE WILL ISSUE TO YOU A CREDIT MEMO FOR THE DIFFERENCE BETWEEN THE NEW AND OLD PRICES, LESS ANY APPLICABLE CASH DISCOUNT RATE, FOR ONE WEEKS' AVERAGE PURCHASES BASED ON SHIPMENTS TO YOU DURING THE PERIOD FEBRUARY 1, 1993-APRIL 30, 1993.

#### BASIC DISTRIBUTION INCENTIVE ALLOWANCE -----

IN ORDER TO ASSIST YOU IN YOUR PLANNING AND AS PREVIOUSLY ANNOUNCED IN OUR COMMUNICATION DATED APRIL 14, 1993, WE WOULD LIKE TO CONFIRM THE TERMINATION OF THE DISTRIBUTION INCENTIVE ALLOWANCE ON BASIC AS OF JUNE 30, 1993.

#### SHIPMENT LIMITATIONS -----

EFFECTIVE WITH SHIPMENTS OF TUESDAY, MAY 11, 1993, BASIC SHIPMENTS WILL BE LIMITED TO 125% OF YOUR AVERAGE WEEK'S PURCHASES BASED ON SHIPMENTS TO YOU DURING THE PERIOD FEBRUARY 1, 1993 - APRIL 30, 1993.

#### ELECTRONIC PAYMENT PROGRAM (EPP) PARTICIPANTS -----

PLEASE CONSULT YOUR PROGRAM MATERIAL OR OUR EPP REPRESENTATIVE AT OUR EPP TOLL-FREE NUMBER IF YOU HAVE ANY QUESTIONS REGARDING EPP AS IT RELATES TO THIS PRICE ANNOUNCEMENT.

PHILIP MORRIS IS NOT RESPONSIBLE FOR ANY ERRORS IN THIS COMMUNICATION WHICH MAY OCCUR DURING THE TRANSMISSION PROCESS.

PHILIP MORRIS RESERVES THE RIGHT TO DISCONTINUE OR AMEND THIS PROGRAM AT ANY TIME WITH OR WITHOUT NOTICE.

THANK YOU FOR YOUR CONTINUED SUPPORT AND COOPERATION.

PHILIP MORRIS U.S.A.

2048410157

COMMUNICATED GE FAX TO SECTION AND DISTRICT OFFICES AND OCTEL  
TO THE FSF 5/7/93. COMMUNICATED MS MAIL 5/10/93 TO VPRSS,  
TMDS, SSDs, TMPs, TMMS, RMIAs, SOMs, DMS, DAMs, AND SAMs.  
BT2000 5/10/93 TO UMs. HARD COPIES PROVIDED BY THE NYO TO  
RMMS, SRs, AND RMs.

DOC #16

2048410158